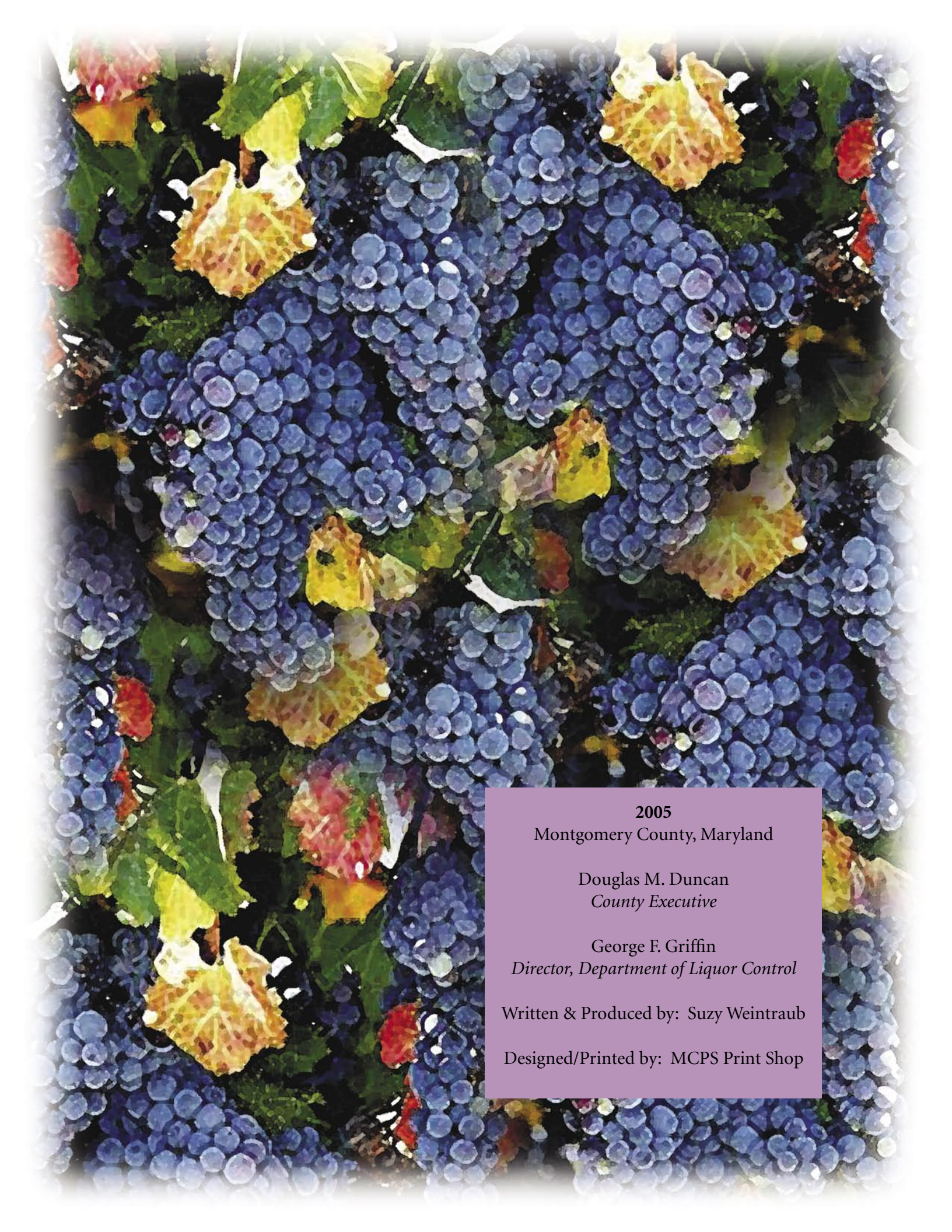




DEPARTMENT OF LIQUOR CONTROL **FY2004 Annual Report**



*A Strong Foundation
A Promising Future*



2005

Montgomery County, Maryland

Douglas M. Duncan
County Executive

George F. Griffin
Director, Department of Liquor Control

Written & Produced by: Suzy Weintraub

Designed/Printed by: MCPS Print Shop

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Montgomery County Department of Liquor Control



We will provide efficient and quality wholesale and retail sales of beverage alcohol products while promoting moderation and responsible behavior in all phases of distribution and consumption.
We will diligently promote and obey all laws and regulations governing beverage alcohol while generating revenue for the benefit of Montgomery County's General Fund.



Building Blocks of Success

Fiscal Year 2004 marked the 70th anniversary of the Department of Liquor Control, a rather remarkable achievement and a tribute to the many talented people who have worked for Liquor Control throughout our history. The FY2004 annual report reflects our commitment to manage the purchase, storage, distribution and sale of all beverage alcohol products for the citizens of Montgomery County. Because Montgomery County is a control jurisdiction, it also allows the Department to play a vital role in restricting access to our underage population while promoting responsible behavior and moderation from distribution to consumption of all the beverage alcohol products we sell.



Fiscal Year 2004 was another record breaking year financially with improvements and achievements made in every section of the Department. With the Community Outreach section receiving the first grant in the Department's history from Miller Brewing Company to create the Wheaton Business Alliance, and the opening of our 25th location in the affluent Falls Grove community, we have continued to position ourselves as a vital economic force within the County as well as strengthen our bond with the citizens we serve. Our sales for the fiscal year were \$168,172,236 an increase of 7.09% over last year. Our General Fund Contribution was \$20,501,030, a 7.5% increase over last fiscal year's contribution and largest in the history of the Department.

Liquor Control's commitment to the County's citizens is a reflection of our accomplishments over the last year. Our ongoing commitment to the mission of our Department has allowed us to grow as a Department and strengthen our ties to the community. Our accomplishments include my selection as President-elect of the National Alcohol Beverage Control Association (NABCA) at its annual conference in May. When I assume the association presidency in May 2005, it will represent only the second time a Montgomery County Director has served as NABCA president in the association's 67-year history. The Department also won a Montgomery's BEST Honors Awards Partnership Award for its leadership position and participation in the Montgomery County Hospitality Resource Panel (MC HRP). Members of the MC HRP include the Wheaton Regional Services Center, Wheaton Redevelopment Office, Bethesda Regional Services Center, The Bethesda Urban Partnership, State's Attorney's Office, DC Hospitality Resource Panel, Montgomery County Conference and Visitor's Bureau, Montgomery County Recreation Department, Highway Safety Office, Maryland Hospitality Education Foundation, The Responsible Hospitality Institute, Montgomery County Police, and the Department of Liquor Control.

The Department of Liquor Control continues to strive towards excellence in customer service with other County Agencies, clients and most importantly our customers by being open, honest and responsible with our message. After 70 years of operations, we have proven that our foundation is indeed strong and that our future shows an abundance of promise as we meet the challenges of today.

I would like to thank County Executive Douglas M. Duncan, Chief Administrative Officer Bruce F. Romer, Director of the Office of Management and Budget Beverley Swaim-Staley, Director of Finance Timothy Firestine, the Montgomery County Police and the Montgomery County Council for their continuous support and appreciation. Most importantly, a very special thank you goes to all Department of Liquor Control employees and customers for giving us a strong foundation and promising future.

George F. Griffin, Director
Department of Liquor Control

The Strong Foundation of Liquor Control

The history of today's Department of Liquor Control began shortly after the end of nationwide Prohibition. On December 5, 1933, the Liquor Control Board for Montgomery County was established by law. For the next 18 years, the Liquor Control Board controlled the sale and distribution of beverage alcohol in Montgomery County and served as the Board of License Commissioners. On July 1, 1951, the Department of Liquor Control was created by Section 159 of Article 2B of the Annotated Code of Maryland, and the Board of License Commissioners became a totally separate entity. Today, the Board of License Commissioners is responsible for licensing, regulation, and shares the responsibility of enforcement with the Montgomery County Police Department.

Every one of the fifty states of the United States exercises its statutory, police and administrative powers to regulate the distribution of and accessibility to beverage alcohol. The extent of that regulation varies from state to state, but the essential point remains that all Americans experience some degree of governmental control over beverage alcohol. That any government entity should exercise such control springs from the clear consensus that beverage alcohol is in a class all its own. Beverage alcohol is a legal drug and because of the unique social risks and public costs of its abuse, it is general agreed that the community interest demands effective regulation.

Thirty-two states, known as "license states" regulate the distribution of beverage alcohol indirectly by issuing licenses to private sellers. Eighteen states, known as "control states" regulate more directly by conducting their own retail and/or wholesale distribution of beverage alcohol. Montgomery County is one of 19 control jurisdictions, and the only local jurisdiction, is a member of the National Alcohol Beverage Control Association (NABCA), a trade association for control jurisdictions. By definition, a control jurisdiction is known for promoting responsibility and moderation in the consumption of alcoholic beverages while discouraging alcohol abuse.



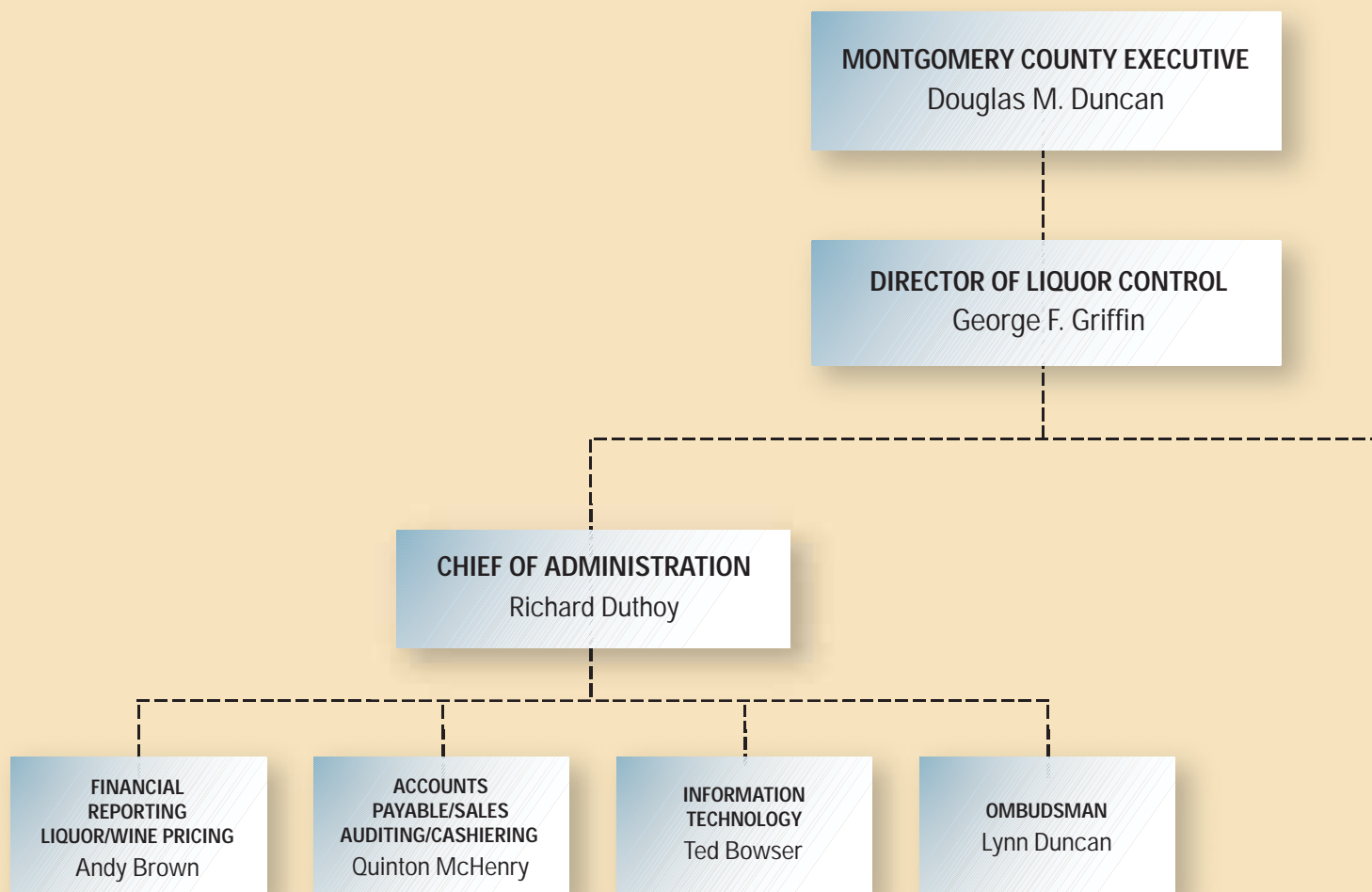
One result of the control method of distribution is that private profits are replaced with revenue generated for the community to more effectively support public policy goals of moderation and revenue enhancement. Each year after paying all its own expenses, the Department deposits its profits into Montgomery County's General Fund to pay for other citizen services such as fire, police and public education – services that otherwise would be funded through taxpayer dollars. In the last five years, the Department of Liquor Control has contributed over 85 million dollars to the General Fund. And with Montgomery County being Maryland's most populous jurisdiction with a 2002 census figure of 892,000 residents and a med o the County adds to the quality of life residents in this County have come to expect.

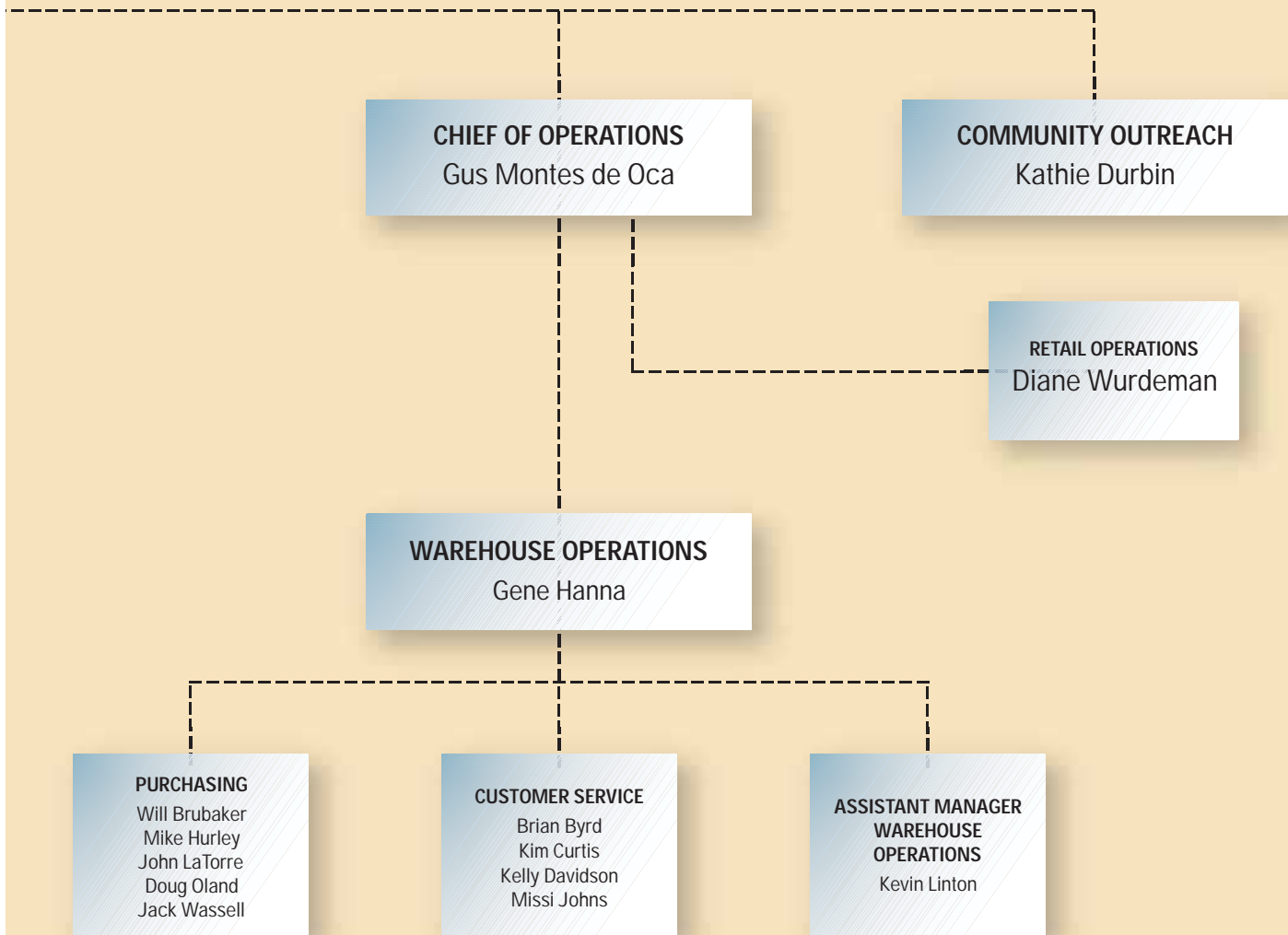
Although Maryland is considered a license state, citizens of Montgomery County enjoy the many benefits offered by a "control jurisdiction". With emphasis on customer service and control, Montgomery County conducts the wholesale distribution of beverage alcohol while sharing the retail segment with approximately 900 license-holders consisting of restaurants, delicatessens, country clubs, lodges, bars, taverns, clubs, and carry-outs. The Department of Liquor Control handles the distribution to all beverage alcohol outlets and owns and operates 25 retail stores. These 25 stores maintain exclusive right to the sale of spirits for carryout while sharing the sale of wine and beer with private off-premise license-holders.

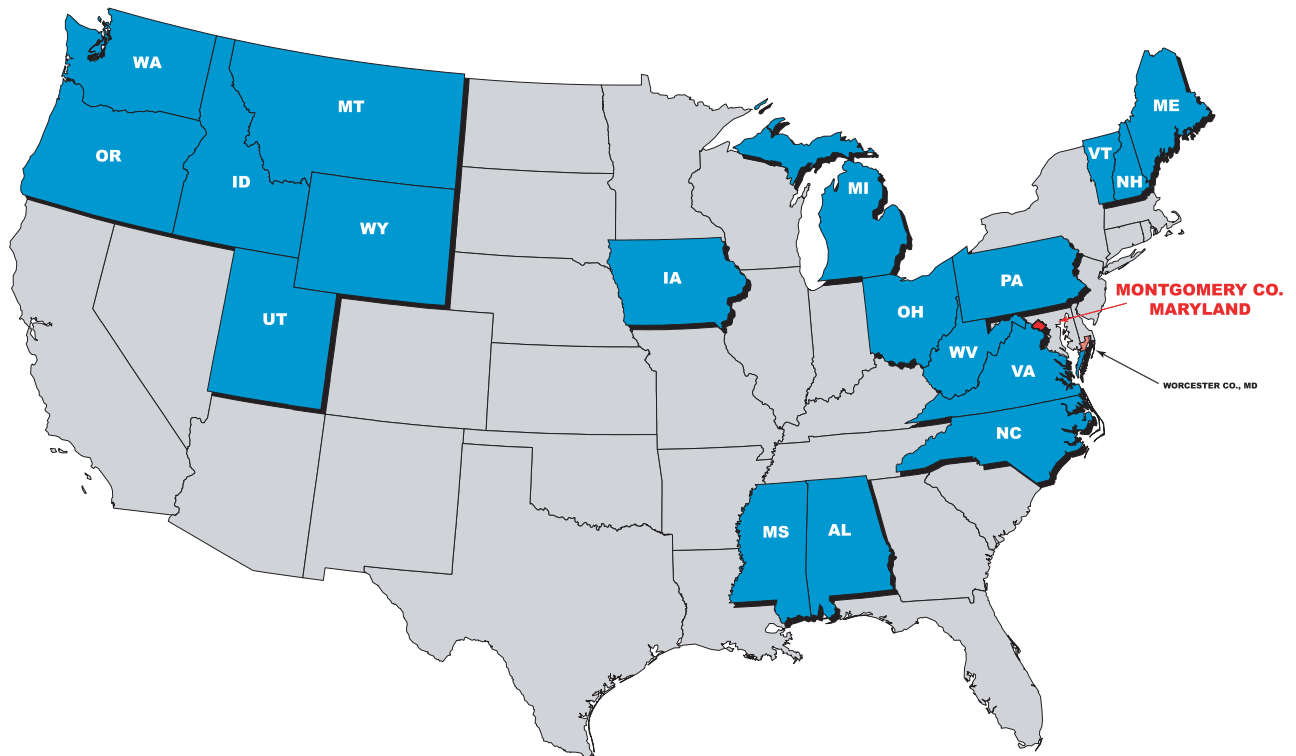
The method of operation used by Montgomery County succeeds in balancing the promotion of moderation in the consumption of beverage alcohol with the offering of a wide variety of products at reasonable prices while returning a generous profit to the General Fund for use in paying for other citizen services. Such stability confirms the fundamental wisdom of a control system and reflects its flexibility to adjust as consumers tastes change. That adaptability has successfully taken Montgomery County from its early days as a regulatory dispensary to its role today as a customer-oriented service organization.

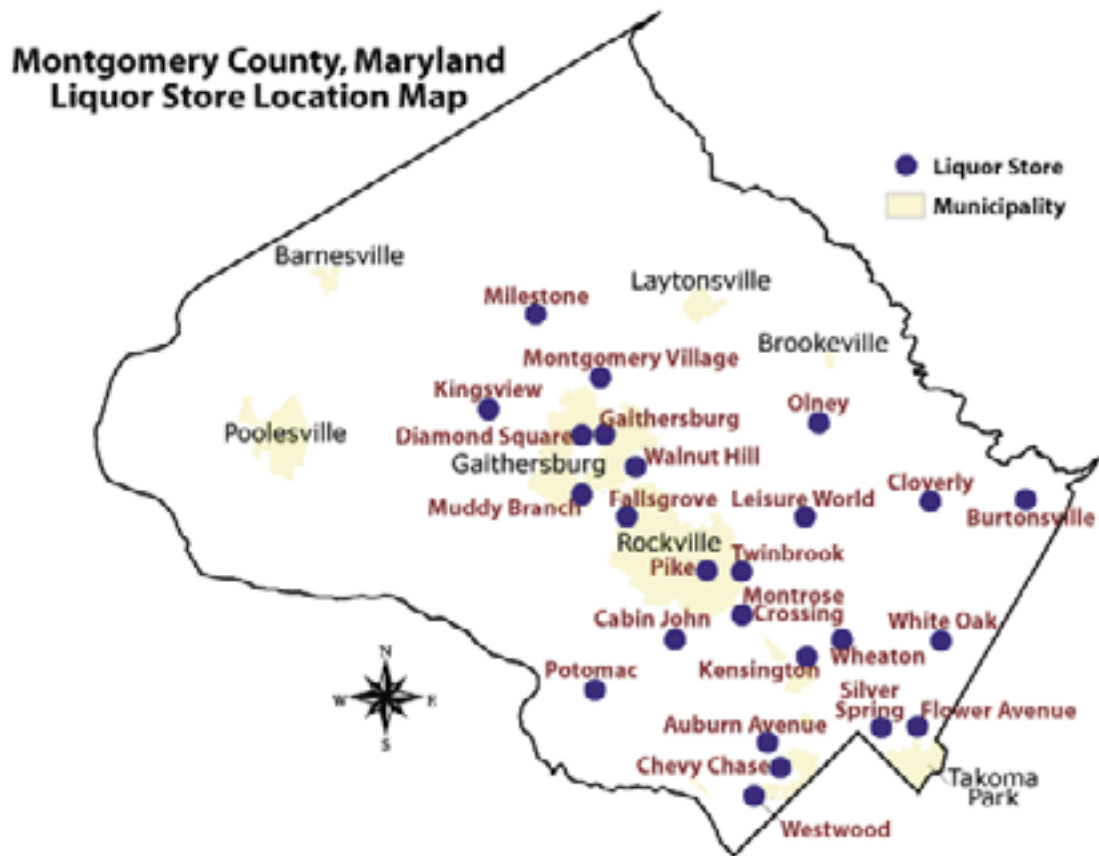


Organizational Structure









STORE LOCATIONS

Auburn Avenue

4800 Auburn Avenue
Bethesda, MD 20814
Phone: 240-773-2006
Hours: Mon – Sat 10:00 am to 9:00 pm
Manager: Steve Graves

Burtonsville

15604 Columbia Pike
Burtonsville, MD 20866
Phone: 240-773-2007
Hours: Mon – Sat 10:00 am to 8:00 pm
Manager: George Shelley

Cabin John

11301 Seven Locks Road
Potomac, MD 20854
Phone: 240-773-2005
Hours: Mon – Sat 10:00 am to 9:00 pm
Manager: Kevin Francis

Chevy Chase

6831 Wisconsin Avenue
Bethesda, MD 20815
Phone: 240-773-2009
Hours: Mon – Sat 10:00 am to 8:00 pm
Manager: Jim Ferris

Cloverly

15517-19 New Hampshire Avenue
Silver Spring, MD 20905
Phone: 240-773-2010
Hours: Mon – Sat 10:00 am to 8:00 pm
Manager: Rick Haddaway

Diamond Square

18 Bureau Drive
Gaithersburg, MD 20877
Phone: 240-773-2011
Hours: Mon – Sat 10:00 am to 9:00 pm
Manager: Dave Donaldson

Flower Avenue

8701 Flower Avenue
Silver Spring, MD 20901
Phone: 301-565-5842
Hours: Mon – Sat 10:00 am to 8:30 pm
Manager: Bill Haberman

Fallsgrove

14937-E Shady Grove Road
Rockville, MD 20850
Phone: 240-773-2018
Hours: Mon – Sat 10:00 am to 9:00 pm
Manager: Renee Hill

Gaithersburg

220 N. Frederick Avenue
Gaithersburg, MD 20877
Phone: 240-773-2012
Hours: Mon – Sat 10:00 am to 9:00 pm
Manager: Dan Moore

Kensington

3733 University Boulevard
Kensington, MD 20895
Phone: 240-773-2013
Hours: Mon – Sat 10:00 am to 9:00 pm
Manager: Damian DeVriendt

Kingsview

18323 Leaman Farm Road F-1
Germantown, MD 20874
Phone: 240-773-2014
Hours: Mon – Sat 10:00 am to 9:00 pm
Manager: Ben Mangus

Leisure World

3824-26 International Drive
Silver Spring, MD 20906
Phone: 240-773-2015
Hours: M-Th 9:30 am – 8:30 pm,
Fri – Sat 9:30 am – 9:00 pm
Manager: Brian Sullivan



Front View of Our Fallsgrove Location

STORE LOCATIONS

Milestone

20946 Frederick Road Unit D1
Germantown, MD 20876
Phone: 240-773-2016
Hours: Mon – Sat 10:00 am to 10:00 pm
Manager: Robin Hill

Montgomery Village

19233 Watkins Mill Road
Gaithersburg, MD 20760
Phone: 240-773-2017
Hours: Mon - Sat 10:00 am to 9:00 pm
Manager: Al Tanner

Montrose Crossing

12015-B Rockville Pike
Rockville, MD 20852
Phone: 240-773-2003
Hours: M-TH 10:00 am to 9:00 pm,
F-Sa 10:00 am to 10:00 pm
Manager: Meredith Hope

Muddy Branch

866 Muddy Branch Road
Gaithersburg, MD 20878
Phone: 301-840-2356
Hours: Mon - Sat 10:00 am to 10:00 pm
Manager: Bill Haberlin

Olney

17825 Georgia Avenue
Olney, MD 20832
Phone: 240-773-2019
Hours: Mon - Sat 10:00 am to 9:00 pm
Manager: Bill Matheson

Pike

832-836 Rockville Pike
Rockville, MD 20852
Phone: 301-279-1575
Hours: Mon - Sat 10:00 am to 9:00 pm
Manager: Bill Haberlin

Potomac

10132 River Road
Potomac, MD 20854
Phone: 240-773-2020
Hours: Mon - Sat 9:00 am to 9:00 pm
Manager: Anna-Maria Joyner

Silver Spring

8715 Colesville Road
Silver Spring, MD 20910
Phone: 240-773-2021
Hours: Mon - Sat 10:00 am to 9:00 pm
Manager: Josh Asress

Twinbrook

2090 Viers Mill Road
Rockville, MD 20851
Phone: 240-773-2022
Hours: Mon - Sat 10:00 am to 9:00 pm
Manager: Leslie Hettich

Walnut Hill

16535 S. Frederick Road
Gaithersburg, MD 20855
Phone: 240-773-2004
Hours: Mon - Sat 10:00 am to 9:00 pm
Manager: Lew Rydzewski



Inside our
Walnut Hill Store

Westwood

5432 Westbard Avenue
Bethesda, MD 20814
Phone: 240-773-2024
Hours: Mon - Sat 10:00 am to 9:00 pm
Manager: Renee Hill

Wheaton

11407 Georgia Avenue
Silver Spring, MD 20902
Phone: 240-773-2025
Hours: Mon - Sat 10:00 am to 9:00 pm
Manager: James Fassanella

White Oak

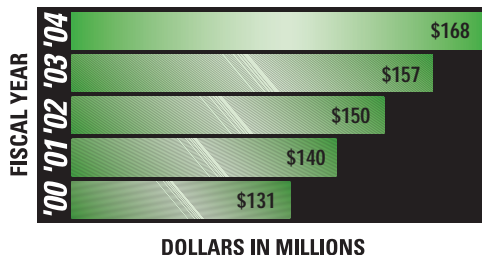
11239 New Hampshire Avenue
Silver Spring, MD 20904
Phone: 240-773-2026
Hours: Mon - Sat 10:00 am to 9:00 pm
Manager: Doug Wright

Financial Highlights



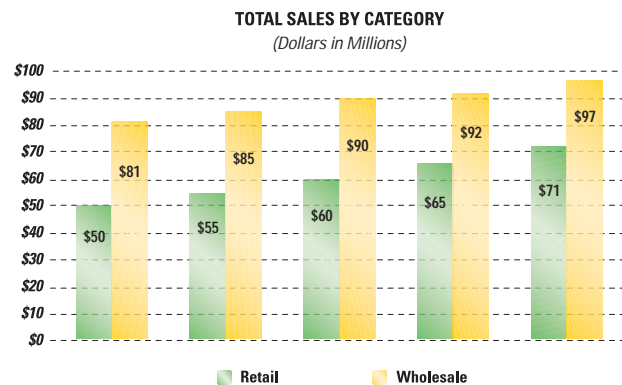
Richard Duthoy
Chief of Administration

With the Fiscal Year 2004 books closed, ending our 70th year as a government entity, The Department of Liquor Control is very pleased with its financial performance. We were able to surpass Fiscal Year 2003's numbers, which until the Fiscal Year 2004 numbers were tallied, was the most profitable year in the Department's history. Our wholesale operations grossed \$97,147,987 million, a 6.1% increase over Fiscal Year 2003's figures and our 25 retail stores grossed \$71,024,249 million, an 8.4% increase over Fiscal Year 2003 for a net sales total of \$168,172,236, an increase of \$11,132,877 over last year. Net income totaled \$23,428,226. Liquor Control also transferred \$20,501,030 to the General Fund, an increase of \$1,515,140 over FY2003's transfer.

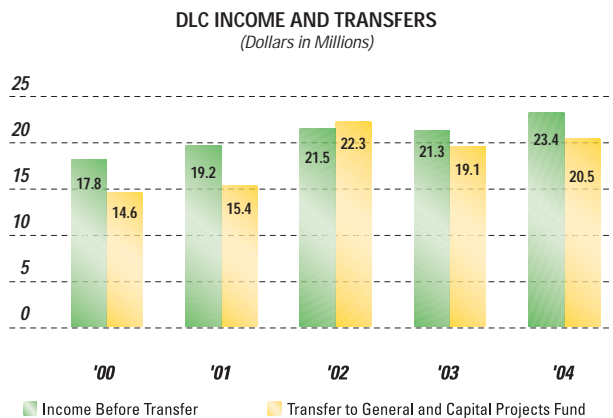


DOLLARS IN MILLIONS

DLC total sales have increased by \$37 Million from FY00 to FY04



TOTAL SALES BY CATEGORY
(Dollars in Millions)



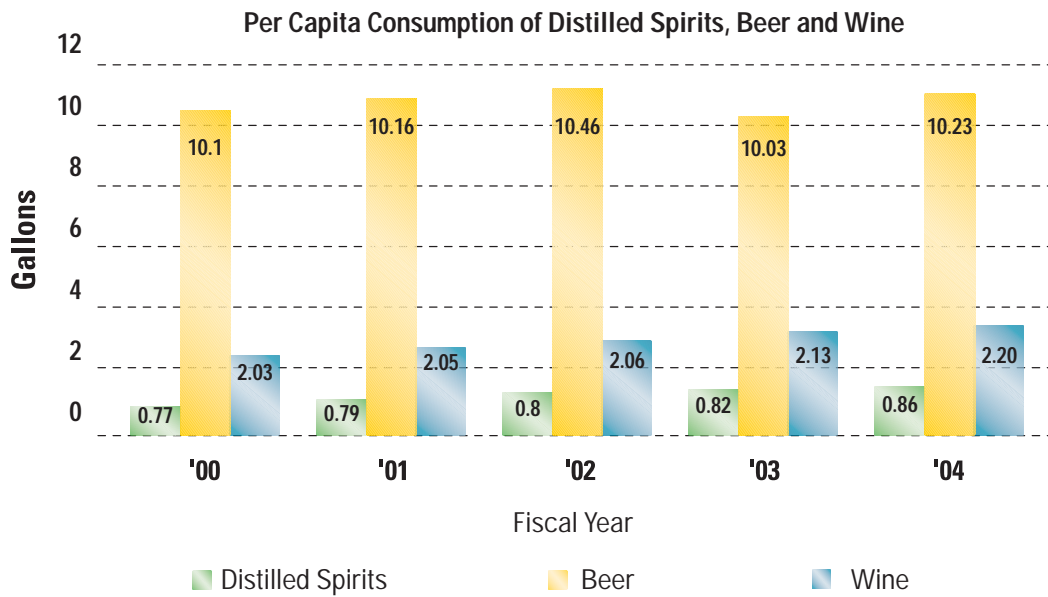
DLC INCOME AND TRANSFERS
(Dollars in Millions)

GENERAL FUND DISTRIBUTION

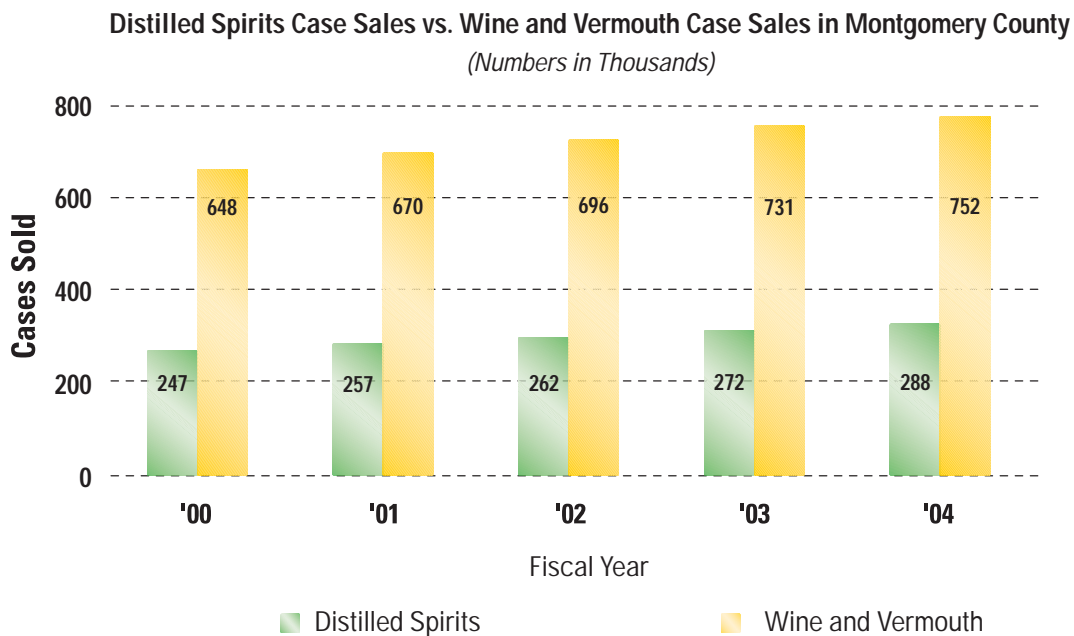
Every year, Liquor Control makes a considerable contribution to the County's General Fund, the principal operating fund for the County Government. The General Fund is used to account for all financial resources except those required by law, County policy, and generally accepted accounting principles to be accounted for in another fund. In Fiscal Year 2004, the Department contributed \$20,501,030 to the County General Fund, which if compared to what projects and services cost the County every year the transfer would pay for the following:

3/4 New MCPS High School = \$27million
OR
1.5 New MCPS Elementary Schools = \$13 million each
OR
1 New Library = \$19 million
OR
1 New Recreation Center = \$20 million
OR
150 New Ride-On buses = \$135,000 each
OR
2 New Fire Stations = \$8 million each
OR
2 New Police Stations = \$9 million each
OR
304 New Librarians
OR
251 New Police Officers
OR
395 New Firefighters
OR
363 New Teachers

Source – Office of Human Resources and the Montgomery County Board of Education



Source: Alcohol and Tobacco Tax Division of the State of Maryland's Comptroller's Office



Source: NABCA Case Sales Report of Alcoholic Beverages

Montgomery County Department of Liquor Control

Enterprise Fund Statement of Net Assests as of June 30, 2004 and 2003

	2004	2003
ASSETS		
Current Assets		
Cash	\$5,359,247	\$4,773,854
Inventories	27,766,796	28,283,744
Other Current assets	2,711,189	2,865,063
Total Current Assets	35,837,232	35,922,661
Capital assets		
Property Plant & Equipment	16,794,679	16,546,463
Less: Accumulated depreciation	9,502,900	9,691,888
Total Capital Assets	6,691,779	6,854,575
Total Assets	42,529,011	42,777,236
LIABILITIES		
Current Liabilities		
Accounts payable	9,930,465	13,307,286
Other Current Liabilities	2,910,013	2,708,611
Total Noncurrent Liabilities	12,840,478	16,015,899
NET ASSETS		
Invested in capital, net of related debt	6,691,779	6,854,575
Unrestricted	22,996,754	19,906,762
Net Assets	29,688,533	26,761,337

Montgomery County Department of Liquor Control Enterprise Fund Statement of Revenues, Expenses, and Fund Changes in Net Assests for the Fiscal Years Ending June 30, 2004 and 2003

	2004	2003
OPERATING REVENUE		
Sales - net	\$168,172,236\$	157,039,359
Charges for Services	15,450	15,115
Total Operating Revenue	168,187,686	157,054,474
OPERATING EXPENSES		
Cost of goods sold	119,806,903	112,091,755
Personnel costs	16,124,278	15,198,483
Postage	48,439	46,231
Insurance	556,370	474,333
Supplies and materials	408,772	469,247
Contractual services	1,618,990	1,538,216
Communications	329,210	228,817
Transportation	405,564	352,260
Public utility service	479,312	393,516
Rentals	3,498,288	3,177,498
Maintenance	533,165	666,691
Depreciation and amortization	657,516	719,893
Other	355,712	366,166
Total Operating Expenses	144,822,519	135,723,106
Operating Income	23,365,167	21,331,368
NONOPERATING REVENUES (EXPENSES)		
Gain (loss) of disposal of capital assets	84	0
Other revenue	62,975	4,728
Total Nonoperating Revenue (Expenses)	63,059	4,728
Nonoperating Income (Loss)	23,428,226	21,336,096
Transfers In (Out)		
Transfers out	(20,501,030)	(19,078,037)
Total Transfers In (Out)	(20,501,030)	(19,078,037)
Change in Net Assets	2,927,196	2,258,059
Total Net Assets - Beginning of Year	26,761,337	24,503,278
Total Net Assets - End of Year	29,688,533	26,761,337

Department of Liquor Control Net Sales for Fiscal Years Ended June 30, 2004 and 2003

	FY2004	FY2003	Increase (Decrease)	Percent Change
Auburn Avenue	\$2,661,863	\$2,436,516	\$225,347	9.25%
Burtonsville	1,927,104	1,672,626	254,478	15.21%
Cabin John	2,945,669	2,692,364	253,305	9.41%
Chevy Chase	2,091,239	1,944,508	146,731	7.55%
Cloverly	1,555,695	1,457,081	98,614	6.77%
Diamond Square	1,388,398	1,276,259	112,139	8.79%
Fallsgrove*	433,261	0	433,261	N/A
Flower Hill	1,439,526	1,405,737	33,789	2.40%
Gaithersburg	1,536,667	1,351,892	184,775	13.67%
Kensington	3,635,320	3,423,449	211,871	6.19%
Kingsview	3,195,097	2,906,231	288,866	9.94%
Leisure World	3,102,643	2,963,767	138,876	4.69%
Milestone	4,695,088	4,354,741	340,347	7.82%
Montgomery Village	2,651,840	2,567,728	84,112	3.28%
Montrose	4,356,711	4,181,221	175,490	4.20%
Muddy Branch	4,938,470	4,701,420	237,050	5.04%
Olney	3,709,864	3,361,194	348,670	10.37%
Pike	3,438,264	3,290,372	147,892	4.49%
Potomac	4,654,604	4,383,201	271,403	6.19%
Silver Spring	2,279,528	1,941,451	338,077	17.41%
Twinbrook	1,715,952	1,562,855	153,097	9.80%
Walnut Hill	2,879,630	2,507,513	372,117	14.84%
Westwood	4,707,947	4,439,386	268,561	6.05%
Wheaton	2,519,558	2,250,034	269,524	11.98%
White Oak	2,564,311	2,440,588	123,723	5.07%
Subtotal	71,024,249	65,512,134	5,512,115	8.41%
Beer Warehouse	\$59,530,471	\$56,366,974	\$3,163,497	5.61%
Liquor/Wine Warehouse	37,617,516	35,160,251	2,457,265	6.99%
Subtotal	97,147,987	91,527,225	5,620,762	6.14%
TOTAL	\$168,172,236	\$157,039,359	\$11,132,877	7.09%
Same Store Data	70,590,988	65,512,134	5,078,854	7.75%

* Fallsgrove was opened on March 11th, 2004

What Goes Into the Price of Wine?



\$9.65 Cost of Product



\$0.78 State Excise Tax 8%



\$3.65 Wholesale Markup 35%
Wholesale Price = \$14.08



\$3.94 Retail Markup 28%



\$0.90 State Sales Tax 5%



\$18.90 Retail Bottle Price

LIQUOR CONTROL IN ACTION



A Strong Foundation

FY2004 Retail Highlights

Customer Service

- Internet Protocol telephones were installed in all retail locations; a new technology for the County where information will be transmitted using existing T1 connections instead of existing telephone lines. This technology will eliminate the monthly cost of maintaining 25 telephone lines, convert the retail store numbers to the County telephone system (five-digit dialing for internal calls from County employees) and offers pre-recorded information regarding store hours and locations to citizens.
- Surveillance equipment in our retail locations were upgraded from analog video to high quality digital. This gives the Retail Operations Manager located at the warehouse the ability to view and record images of every store from her office.
- In October, our director joined Bill Georges, Senior Vice President of Programs at The Century Council (a not-for-profit organization funded by America's leading distillers); Delegate Bill Bronrott of the Maryland General Assembly; Acting Police Chief Bill O'Toole, Lieutenant Ron Smith and Lieutenant Dave Gillespie from the Montgomery County Police Department; Marcia Harris, President and CEO of the Restaurant Association of Maryland; and Margo Stanton from the Montgomery County Traffic Safety Office to launch the Cops in Shops® program at an event held at the Wheaton Liquor Store on Georgia Avenue.

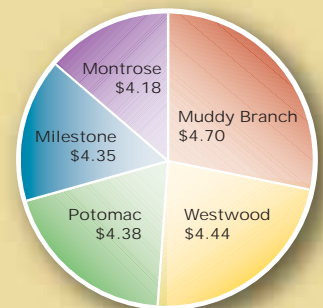
Training

- All Retail store employees have access to e-mail via Outlook through the use of kiosk stations that are independent of cash register operation. Employees have been trained how to utilize e-mail, and are now using e-mail as a new method of communication.
- One-hundred percent (100%) of all retail store employees are now certified in a state-approved alcohol server training, which enables them to better identify potential risk situations, particularly related to underage drinking and over service.
- All retail store employees now receive product knowledge binders that highlight marketing strategies, changes in the beverage alcohol industry and product history overviews, and tasting notes from training sessions.
- Four-hour training programs in a variety of subjects have now been developed for all retail employees.

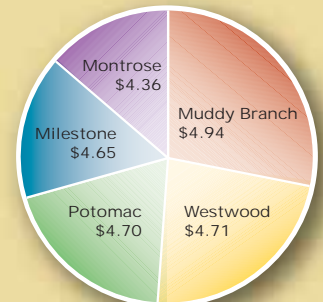


Diane Wurdeman
Retail Operations Manager

FY2003's Best Selling Stores
(Dollars in Millions)



FY2004's Best Selling Stores
(Dollars in Millions)



A Promising Future

- A two hour one-on-one cash register training program has been developed and utilized for all employees seeking promotions.
- Diane Wurdeman, our Retail Operations Manager, in conjunction with the Division of Risk Management, is visiting stores at least once a year in search of possible problem areas in order to prevent future injuries and fire code violations.

Marketing

- The April 15th community grand opening and ribbon-cutting ceremony for DLC's 25th store located in the Fallsgrove Village Center received coverage from the Rockville Gazette, WTOP radio and Control Link, the National Alcoholic Beverage Control Association's newsletter. Attendees included Vernon M. Danielsen, Chairman of the Virginia Alcohol Beverage Control Board, Jim Squeo, Executive Director of the National Alcoholic Beverage Control Association (NABCA); Gino Renne, President of MCGEO Local 1994 (along with other union representatives); Ted Seale and Dr. David Friedman from the Alcoholic Beverages Advisory Board (ABAB); Victor Ambrosia, Jon Stevens and Tony Fultz from the Lerner Company (shopping center owner); Joe Beach, Assistant CAO; Tim Firestine, Director of Finance; Sue Tucker of the Public Information Office; a number of DLC employees and members of the community. The Fallsgrove store was designed as a "high-end" location with ceramic tile flooring, beautiful artwork, and aesthetically pleasing signage.
- The Retail stores continued its sponsoring program this fiscal year. For example, September was named "Shiraz month" and featured 26 different brands and/or sizes of Australian Shiraz for sale in all stores. Store personnel, who were asked to create eye-catching displays, attended a training program that featured a Shiraz representative from Australia who educated retail employees about the different regions, wines, and foods of the land "down under". Not only was this an excellent educational and team building exercise, but an effective one as well. Customers enjoyed the promotion and sales of Australian Shiraz increased 243% over last September.
- In connection to the sponsoring program, the Retail Section created a contest for all retail locations to create unique and marketable displays in their retail locations. The store with the most creative display connected with the promotion received T-shirts, bottle openers and certificates.





Gus Montes De Oca
Chief of Operations

- Our warehouse continues to assist with the transport of food for Bethesda Cares.
- The warehouse division of Wholesale Operations recently completed a product rearrangement to increase the efficiency of the workflow.
- The Wholesale Delivery Section instituted a new program entitled “Feet in the Street”. A team leader rides with different driver/helper teams several times a week. The purpose of the program is to enhance safe driving and other safety practices among delivery teams, and to develop closer working relationships with our wholesale customers.
- The Montgomery County Council approved the funding for a 52,000 square foot expansion of our warehouse. Included with this addition, is air conditioning for the existing warehouse.

- The Warehouse Section’s Employee Recognition Program was expanded in conjunction with the Division of Risk Management to include Driver of the Quarter, Driver Helper of the Quarter, Equipment Operator of the Quarter and Warehouse Worker of the Quarter. The awards are based on evaluations from supervisors and a point system where employees can attain points based on attendance, interaction with other employees, customer service and safety.

- Unsold and “out of date” beverage alcohol items are donated to the Montgomery County Police Department to assist in testing procedures. How many drinks are necessary to inebriate people of various heights and weights and various stages of inebriation are observed and tested under a controlled environment.

- The warehouse section now donates some of our empty wood pallets to various Montgomery County fire stations to help train cadets in extinguishing flammable materials.

- The recycling program has been expanded to include our empty wood pallets. On average, we now recycle 140 wooden pallets per week.

- Digital cameras have been installed in and around the warehouse to deter theft and observe/record the daily loading of delivery trucks.

- A new security system was installed that now requires all employees to use their County ID badges to gain entry into the building. We are now tied in with the other County buildings that use this technology.

- The mechanics room within the warehouse is now being utilized to store our special order items for our customers. Repair of forklifts is now being performed “in place” by a contractor. Before this room was converted to storage, our special order items were stored in the front of the warehouse, making them susceptible to theft and damage.



Gene Hanna
Warehouse Operations
Manager

LIQUOR & WINE

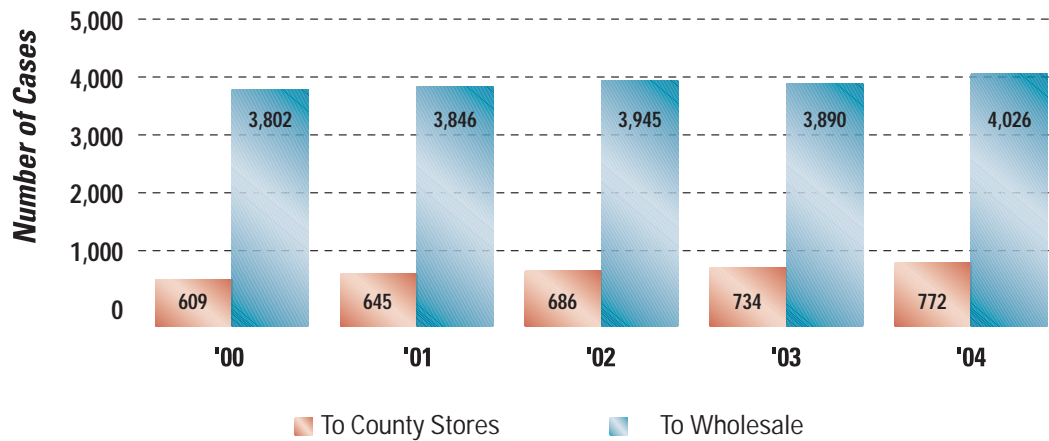
Retail vs. Wholesale Sales 2000 - 2004

(Dollars in Millions)



Annual Cases Shipped from Warehouse

(Numbers in Thousands)





Ted Bowser
IT Manager

The Contract for new IT system scheduled for installation in FY2005 and FY2006 was signed. The contractor who will be implementing this system, AMX International Inc., has many years of experience in this field and will be installing a new warehouse management system, Point-of-Sale system for all retail locations and a financial management system for our Administrative Section with the ability of all three systems to communicate with one another on a real-time basis.

Office automation workstations were installed in all retail stores. These workstations include a PC with e-mail and internet capabilities and a multi-function device for copying, scanning, and printing. These workstations allow all retail managers the ability to analyze information and give all retail employees the same resources that all County employees are given.

A new Point-of-Sale software and hardware system was installed in our Falls Grove retail store. Infotouch, a more modern and comprehensive Point-of-Sale solution, has touch screen technology as well as the ability to process credit card transactions over the network rather than a dial-up connection. This new technology has significantly decreased the time it takes to complete customer transactions.

Provide Leadership to Promote Efficient and Responsible Management of County Stores and Businesses that Sell or Serve Beverage Alcohol.

- A business alliance model was developed to address high risk business practices in licensed establishments in communities across Montgomery County. Alliance membership is open to licensed establishments in Montgomery County as well as associations, coalition groups and enforcement agencies. Long Branch in Silver Spring is the first community to use the model. The Long Branch Business Alliance will assist business owners who sign a code of conduct by providing state approved server training; distributing resource materials, such as posters, signs and ID Books; and creating responsible policies to prevent high risk activities. The Cops in Shops® program will also be available to off-premise establishments that are referred by local enforcement agencies as will Operation Fakeout, an on-premise program created by the Alcohol Unit of the Montgomery County Police. The Long Branch Business Alliance will meet bi-monthly to measure progress, discuss challenges, solve problems and build stronger relationships with the enforcement and community leaders. Because of the success of the Long Branch Alliance, a second alliance has formed in Wheaton, a community with nearly 70 establishments that serve beverage alcohol.



Kathie Durbin
Community Outreach
Manager

- The initial meeting of the Special Events Alliance was hosted with representatives from the Department of Economic Development, the Conference and Visitors' Bureau, the Department of Recreation, the Highway Safety Office, the Board of License Commissioners, the MCPD Alcohol Unit and others from DLC in attendance. The purpose of the group is to identify all appropriate information required by an individual or organization wishing to hold a special event in Montgomery County and to present that information in a comprehensive, easily-understood format. The group anticipates the result of this collaboration will be a comprehensive resource guide that will be available in print and on the website.



Cops in Shops kick off in front of our Wheaton Location.

- Our Director and Community Outreach Manager became members of the Joint County Gang Prevention Task Force and the Montgomery County Prevention Task Force. They act as County Resources with other agencies such as the Department of Recreation and the Department of Health and Human Services to assist community groups/agencies. It is a collaborative planning initiative assisting public & private agencies previously working independently on gang issues.

Increase DLC's Capacity to Address Alcohol Issues.

- A \$5,000 matching grant was awarded by Miller Brewing Company, which will be used to establish the Wheaton business alliance. In the Long Branch area of Silver Spring, the alliance is used to complement programs already established by the chamber of commerce, regional service center and others. The specific purpose of the grant is to assess each establishment and identify and address risk factors resulting from over-service and sales to minors; and to begin regular meetings of the new alliance's members. Alliance membership is open to local business owners, managers/servers, community members, enforcement officials, the Restaurant Association and other interested individuals.

Nurture a Trained Workforce Committed to Responsible Hospitality.

- Through Drawing the Line on Underage Drinking, DLC, the Montgomery County Police Department and the State Attorney's office developed a training session for Prom season titled, "All You Need to Know to be a Responsible Limo Driver." This course is designed to train owners, operators and staff of transportation companies on how to recognize the indicators of alcohol impairment, Maryland and State alcohol laws, and tools to set responsible policies.



- In April, together with Lt. Dave Falcinelli and Officer Bill Morrison of the Montgomery County Police, the Community Outreach Manager presented an overview of the Business Alliance program to the Impaired Driving Coalition (IDC) at the Maryland Highway Administration. The IDC consists of 70 highway safety and enforcement officials throughout the state. As a result of their presentation, the National Highway Safety Administration invited them to present the County's program at their national conference in West Virginia to law enforcement officials and participate on a panel discussion of the topic.
- A presentation was made to the Baltimore County Department of Health Bureau of Substance Abuse. The Bureau invited the Community Outreach Manager to speak about the Department's business alliance model, to share its successes, and to assist in implementing the model in Baltimore County communities.
- The Community Outreach Manager represented DLC at a Media Advisory to Ensure a Safe 2004 Prom Season in May at the offices of the Montgomery County Public School's "Safe and Drug-free Schools" program in Rockville. A "Prom Task Force" media conference was held to provide information on the problem of underage drinking and introduce proactive strategies that young people, adults, parents, and members of the hospitality industry can take to keep our students safe during this special time of year. A "Safe and Drug-free School's Workshop on Teens and Drinking" followed the media conference.

Enhance and Improve the Public's Perception of the Department of Liquor Control

- The Department joined the Regional Impaired Driving Task Force sponsored by The Metropolitan Washington Council of Governments. The result of the task force's work is a study entitled "Regional Activities to Reduce Impaired Driving in the Washington Metropolitan Area". Kathie Durbin, our Community Outreach Manager, was one of three experts that presented the findings to the Council of Governments' Board of Officers in November. As a result, County Council members Nancy Floreen and Michael Knapp (Task Force members) invited Mrs. Durbin to present the findings to our County Council.
- The Community Outreach Manager represents DLC on the Planning Committee of the Community Outreach Forum that is hosted by the Executive Office's Outreach Manager, Debbie Resnick.
- The Department met with Kelly Groff of the Conference and Visitor's Bureau and County Attorney Chuck Thompson to discuss the need for special events licenses in Montgomery County to promote safe and responsible events in the County. As a result, legislation was drafted and approved by County Executive Doug Duncan, the Montgomery County Council and will be presented to the Maryland General Assembly this January.
- The Community Outreach Manager received a Montgomery's Best Partnership Award for outstanding service in creating through the Montgomery County Hospitality Resource Panel (Created by the Community Outreach Section of DLC it unites community stakeholders to identify trends and issues in dining, entertainment, events,

and community Redevelopment.), The Issue Forum on Hospitality and the Young Adult Forum, which consisted of a group of 50 committed members of Montgomery County regulatory, law enforcement, education, business development, and young adult communities coming together to discuss the rapidly approaching arrival of the Millennial Generation into adulthood and the need to find space for them to socialize. The Issue Forum's goals were to identify and bring together experts and key stakeholders able to address the ability of the community to meet the growing needs of young adults for places to socialize, to identify any barriers that exist, to stimulate debate about the place of young adults in the community, to identify spaces needed for them to socialize amongst themselves and with others, to affect change in the public perception of these issues, and to identify "next steps" towards the ultimate goal of forming a consensus plan for the development of future places for mixed use and the management of existing ones.



Director George Griffin at the Cops in Shops kickoff.



Our Community Outreach manager receiving the Montgomery's Best Partnership Award.

Directive

It is our customers' right to inquire, suggest, complain and play an integral role in receiving the level of service they want. When a customer, citizen or other stakeholder chooses to contact the ombudsman, they can be assured of receiving a swift, reasonable, unbiased and fair resolution/explanation in a timely manner.

Definition

The ombudsman for the Department, Lynn Duncan, is responsible for: exploring the feasibility of suggestions from employees, customers, citizens and other stakeholders for possible implementation; investigating and resolving complaints from customers, citizens, consumers or others against the Department of Liquor Control and its affiliates; working to bring about a fair resolution relative to suggestions and complaints.



Lynn Duncan
Ombudsman

Process

The ombudsman is a conduit between the person making a request, suggestion or complaint, and the most logical person in the Department to provide resolution.

The following formal steps are necessary and constitute the process of dealing with customer suggestions and complaints:

When the ombudsman receives an inquiry/suggestion/complaint she will pass the request on to the appropriate person and advise the customer that the request is being addressed if the request was not personally conveyed.

The ombudsman and appropriate staff may confer and the ombudsman will respond to the customer; or the most logical person will respond directly to the customer with a copy to the ombudsman, depending on the situation. This will be decided by the ombudsman at the initial request. Responses should always be by email or letter for tracking purposes.

Resolution to the customer on most items is required within 10 working days.

The ombudsman will contact the customer as follow-up to ensure a reasonable level of satisfaction.

The ombudsman will log the information and resolution into a tracking system.

In FY2004, our ombudsman received 154 inquiries. These inquiries have been divided into sections:

Retail Customers – 69 Inquiries

Legal – 23 Inquiries

Job Seekers – 12 Inquiries

Wholesale Customers – 18 Inquiries

Supplier/Salespersons/Potential suppliers – 17 Inquiries

Citizen/Consultant/Author questions/comments – 13 Inquiries

Other Department Inquiries – 2 Inquiries

An employee committee comprised of volunteers from retail, wholesale, administration, purchasing and customer service accepts nominations from all employees on a quarterly basis. The committee reviews the nominations and selects winners in three categories (retail, wholesale and administration) based on the content of the justification, work record and merit status. In addition to the quarterly winners, an Employee of the Year is selected to recognize significant and special accomplishments.

The recipient of this year's Employee of the Year Award was Diane Wurdeman, one of the Department's long time employees. Diane is a very unique employee who offers a rare blend of management skills, business savvy, leadership, and excellent written and oral communication skills. During her tenure with DLC, Diane has had a tremendous impact on our success by spearheading the training effort for our Point-of-Sale system to all clerks, assistant managers, managers and even part-time employees. Diane is also a certified TIPS instructor. TIPS (Training for Intervention Procedures) is an international training program to educate servers of beverage alcohol on strategies and procedures to prevent serving alcohol to underage or intoxicated patrons.

Diane Wurdeman began her career with the Department of Liquor Control in 1999 as a part-time clerk at our Potomac retail store. Within four months she had become a full-time clerk at our Cabin John store and was promoted to assistant manager of that store before the end of the year. In 2000, Diane was transferred to our White Oak location as an assistant manager and by January 2001 was promoted to manager of that location. In June 2001, she was promoted yet again to Program Manager and moved from our retail stores to the warehouse and administration building. In August 2004, Diane was made acting Manager of Retail Operations and subsequently promoted permanently to this position in October 2004.



Chief Administrative Officer Bruce Romer with Diane Wurdeman and George Griffin at the awards ceremony.

Retail

- A new point-of-sale (POS) system will be installed for all retail stores. This system includes new cash registers, scanners and connection to the overall new IT system for the Department. This new system will allow the retail stores to electronically “talk” to the main office to create purchase order and take inventory.

Wholesale

- The Department will break ground on a 52,000 square foot expansion of the current warehouse location in FY2005 with construction expected to be completed in FY2006. Along with this expansion comes the installation of heating, air conditioning and ventilation (HVAC) throughout the warehouse. Currently, the liquor warehouse is the only County building without air conditioning.
- Included in the expansion of the warehouse, will be a climate controlled area in order for the Department to stay in compliance with storage standards from the three major breweries.



IT

- The replacement of the IT system will continue through FY2005 into FY2006. By the start of FY2006 we should be finishing up the installation of the new Point of Sale system for the retail section. Along with the new POS system, the IT system as a whole will consist of a new management and warehouse system as well. This technology, labeled Enterprise Resource Planning or ERP will allow all sections of the Department to communicate electronically with one another which will expedite the order/purchasing process immensely while allowing our finance and accounting sections to update using real time information and interfacing with external County software applications.
- The new IT system will also replace most of the paper-driven processes with electronic reporting capabilities.

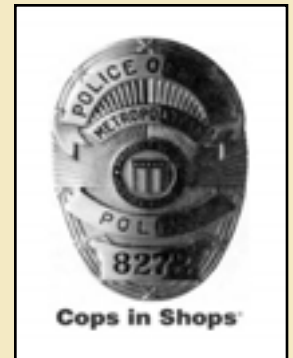
Community Outreach

- Partnering with various County Agencies, the Community Outreach Section plans to provide free Business Management Seminars in the areas of community revitalization, customer service, risk management and responsible service policies. Training seminars will include State laws and County rules and regulations, identification of potential liability risks, evaluation of current levels of service, tips to create an effective risk management program, networking opportunities with community business resources, and the latest and evolving trends in the industry. Information for all trainings will be available in Spanish and English.
- The “Parents Who Host Lose the Most” Program education campaign will target parents and guardians in order to inform and educate them about the legal ramifications and health and safety risks of serving alcohol to teens. Parents who knowingly allow a person under the age of 21 to remain on their property while consuming or possessing alcoholic beverages can be prosecuted and face jail time, fines and/or loss of property. Too often communities look the other way when it comes to teen drinking, assuming it is a “rite of passage.” It is not unusual for well meaning parents to provide alcohol to their teen’s friends at house parties and take



away their car keys. Although they are attempting to keep them “safe” from drinking and driving, this promotes a very mixed message about the legality and normalcy of alcohol use by teens. The Community Outreach Section is partnering with County Agencies, Montgomery County Public Schools and Police to promote the “Parent the Host” program to their employees. Partnering corporations are responsible for the duplication and dissemination and can place their company logo on the materials.

- The initial meeting of the Wheaton Business Alliance will be hosted in September. The Wheaton Business Alliance is a comprehensive program, which will be used as a model county-wide. Partners include the Century Council, (a not-for-profit organization funded by America’s leading distillers Drawing the Line on Underage Drinking (A multi-agency public-private partnership aimed at creating community consensus that underage drinking is unhealthy, illegal and unacceptable.), the Montgomery County Alcohol Unit of the Police, the Board of License Commissioners, the Maryland Restaurant Association, the Maryland Hospitality Education Foundation, the Department of Recreation, the Mid-County Regional Services Center, Highway Safety, and Miller Brewing Company. Grant funding and in-kind services combine to total \$30,000, which will fund programs aimed to assist business owners and managers who sign a code of conduct by providing state approved server training in Korean, Chinese, Vietnamese, Spanish and English, distributing resource materials, and creating responsible policies to prevent high risk activities. The Century Council’s Cops in Shops® program will also be available to off-premise establishments that are referred by local enforcement. The Cops in Shops® program brings law enforcement officials and retailers together in the fight against underage purchasing of beverage alcohol for minors. Plainclothes police officers pose in retail outlets to foil underage purchasers and adults who attempt to buy alcohol for youths. If caught, offenders find themselves talking to a police officer about losing their license, going to court, paying fines, and maybe going to jail.



For a more detailed look at the County's financial statements, as well as financial notes, please see our Comprehensive Annual Financial Report (CAFR) at:

<http://www.montgomerycountymd.gov/govtmpl.asp?url=/content/finance/financial.ASP>

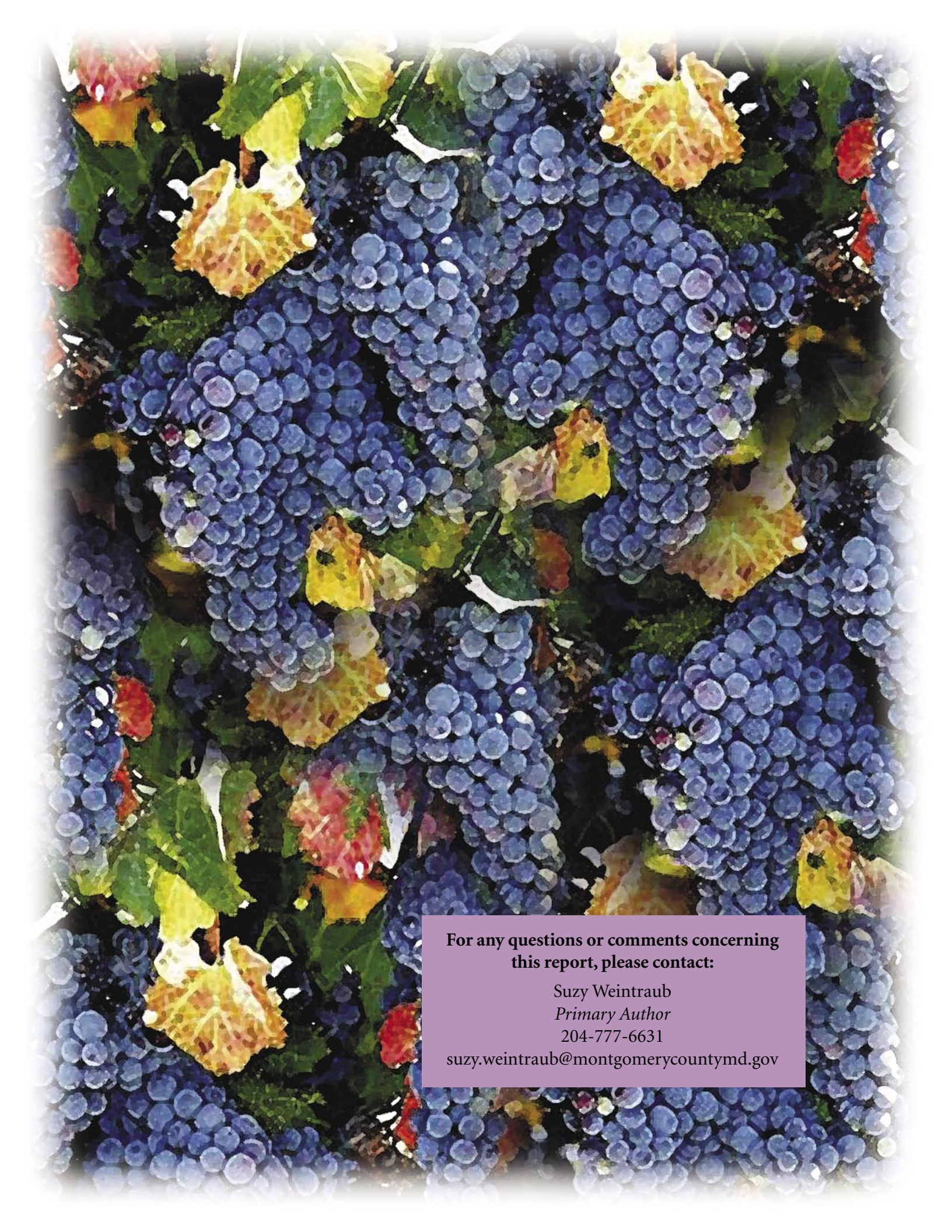
Financial statements for the Department of Liquor Control can be found on pages 38, 39, 40 and 140 of the FY2004 CAFR. In addition there are references to the Liquor Control Department in the Management Discussion and Analysis and in The Notes to the Financial Statements.

Cash Transfers to the General Fund FY1983 - FY2004

Fiscal Year Ending June 30th	Amount of Transfer	% Increase (Decrease) Over Previous Year
<i>2004</i>	\$20,501,030	7.98%
<i>2003</i>	18,985,890	-14.99%
<i>2002</i>	22,334,790	44.74%
<i>2001</i>	15,430,683	5.76%
<i>2000</i>	14,590,410	1.83%
<i>1999</i>	14,328,000	2.71%
<i>1998</i>	13,950,000	16.25%
<i>1997</i>	12,000,000	-1.13%
<i>1996</i>	12,136,810	11.69%
<i>1995</i>	10,867,000	5.50%
<i>1994</i>	10,300,000	-7.21%
<i>1993</i>	11,100,000	0.91%
<i>1992</i>	11,000,000	0.00%
<i>1991</i>	11,000,000	4.76%
<i>1990</i>	10,500,000	-6.25%
<i>1989</i>	11,200,000	1.82%
<i>1988</i>	11,000,000	-8.33%
<i>1987</i>	12,000,000	20.00%
<i>1986</i>	10,000,000	17.65%
<i>1985</i>	8,500,000	-15.00%
<i>1984</i>	10,000,000	0.00%
<i>1983</i>	10,000,000	

Sales Analysis and Percentage Changes FY1985 Through FY2004

Fiscal Year	Total Sales	Percentage Change	Retail Sales	Percentage Change	Warehouse Sales	Percentage Change	Warehouse Beer Sales	Percentage Change	Warehouse Liquor/ Wine Sales	Percentage Change
2004	\$168,172,236	7.09%	\$71,024,249	8.41%	\$97,147,987	6.14%	\$59,530,471	5.61%	\$37,617,516	6.99%
2003	157,039,359	4.63%	65,512,134	8.75%	91,527,225	1.87%	56,366,974	-0.21%	35,160,251	5.40%
2002	150,085,202	6.76%	60,242,390	8.74%	89,842,812	5.47%	56,484,764	6.18%	33,358,048	4.28%
2001	140,587,302	6.68%	55,400,821	10.12%	85,186,481	4.55%	53,197,445	5.02%	31,989,036	3.79%
2000	131,788,958	9.04%	50,311,184	8.85%	81,477,774	9.15%	50,656,949	6.36%	30,820,825	14.09%
1999	120,863,585	5.30%	46,219,153	6.46%	74,644,432	4.59%	47,629,393	4.62%	27,015,039	4.54%
1998	114,783,438	3.28%	43,416,172	5.51%	71,367,266	1.96%	45,524,534	-0.09%	25,842,732	5.78%
1997	111,143,313	5.42%	41,147,439	4.22%	69,995,874	6.13%	45,566,118	4.16%	24,429,756	10.03%
1996	105,432,119	5.06%	39,480,197	6.36%	65,951,922	4.30%	43,748,159	2.28%	22,203,763	8.52%
1995	100,353,290	1.63%	37,119,670	0.96%	63,233,620	2.03%	42,772,682	1.99%	20,460,938	2.09%
1994	98,743,367	1.26%	36,766,015	1.43%	61,977,352	1.15%	41,936,205	1.65%	20,041,147	0.12%
1993	97,518,034	-2.99%	36,247,940	-0.95%	61,270,094	-4.15%	41,253,644	-7.63%	20,016,450	3.90%
1992	100,521,089	-0.91%	36,596,101	-2.97%	63,924,988	0.30%	44,660,246	-0.32%	19,264,742	1.77%
1991	101,449,210	4.00%	37,714,982	6.42%	63,734,228	2.61%	44,804,589	3.48%	18,929,639	0.61%
1990	97,551,486	1.20%	35,438,411	1.72%	62,113,075	0.91%	43,297,507	1.30%	18,815,568	0.01%
1989	96,392,897	2.63%	34,837,529	5.64%	61,555,368	0.99%	42,741,862	1.25%	18,813,506	0.40%
1988	93,927,063	4.97%	32,976,261	6.74%	60,950,802	4.03%	42,212,646	5.67%	18,738,156	0.53%
1987	89,481,734	5.97%	30,894,791	1.70%	58,586,943	8.37%	39,947,939	7.52%	18,639,004	10.23%
1986	84,440,172	4.85%	30,377,552	3.87%	54,062,620	5.41%	37,153,357	3.47%	16,909,263	9.95%
1985	80,534,365		29,245,964		51,288,401		35,909,022		15,379,379	



**For any questions or comments concerning
this report, please contact:**

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